



Save & Sound

70 YEARS OF CPF



▲ Ms Atiqah Nadzirah Binte Ishak (left) and Mr Azreel Dini Bin Mohammad Najmuddin (right) are all smiles with their trust in CPF. (Source: CPF Board)

Beating the Odds



For many working Singaporeans today, starting to contribute to their CPF accounts is a rite of passage – offering peace of mind that they have started saving for the future.

Just ask Ms Atiqah Nadzirah Binte Ishak, 24, and her fiancé Mr Azreel Dini Bin Mohammad Najmuddin Mohdar, 25, who view it as a painless way of putting money away for retirement or a rainy day. Every month, the young couple see their CPF savings grow, ready to be tapped on for their housing and healthcare needs.

“Personally, I think CPF is a safety net. If I don’t have extra money set aside, I think I’ll be struggling a lot. So having CPF savings monthly and only using it when needed feels great to me,” said Mr Azreel, a logistics executive.

But CPF was not always so welcomed. There were initial doubts and fears when the CPF system was first introduced that were eventually overcome only when Singaporeans experienced the support that the system provided.

75-year-old Mdm Goh Siew Kim had mixed feelings about setting aside a portion of her wages for CPF contributions every month when she began working as a salesperson at Oriental Emporium nearly 60 years ago.

“Most people couldn’t even support their family. So how can you ask them to contribute to CPF?” recalled Mdm Goh. At that time, employees made a 10 per cent CPF contribution monthly, with half of the contribution from their salary, and the other half from their employers.¹



◀ Mdm Goh Siew Kim (second from left) on her first day of work at the Oriental Emporium. (Source: Courtesy of Mdm Goh Siew Kim)

CENTRAL PROVIDENT FUND 1967

STATEMENT OF ACCOUNT

MEMBER'S NO. MEMBER'S NAME

675363 GOH SIEW KIM 00004

NO. 79, ANSON ROAD
P. O. BOX 3060,
SINGAPORE, 2.

(1) YOUR CPF A/C BALANCE ON 1. 1. 1967	(2) CONTRIBUTIONS CREDITED IN 1967	(3) INTEREST CREDITED FOR 1967	(4) YOUR CPF A/C BALANCE ON 1. 1. 1968	(5) RATE OF INTEREST
.00	67.08	.00	67.08	5.5%

IF YOU CONSIDER THIS STATEMENT IS IN ANY WAY INCORRECT
PLEASE INFORM THE CENTRAL PROVIDENT FUND BOARD IMMEDIATELY.
**WARNING: A MEMBER'S CREDIT IN THE FUND CANNOT BE PLEDGED
AS SECURITY FOR ANY PURPOSE WHATSOEVER.**

NOTE: THIS STATEMENT DOES NOT INCLUDE ANY CONTRIBUTIONS
PAID TO THE BOARD AFTER 31ST, DECEMBER, 1967.
INTEREST HAS BEEN CALCULATED ON THE BALANCE SHOWN
IN COLUMN (1).
CONTRIBUTIONS CREDITED IN 1967 WILL EARN INTEREST
FROM 1. 1. 1968.

▲ Mdm Goh's first Yearly Statement of Account from the CPF Board in 1967. (Source: Courtesy of Mdm Goh Siew Kim)

Her sentiments reflected the concerns of other employees then. It was 1967, just 12 years after CPF was formed, and many working Singaporeans had yet to see how the scheme that was meant to secure and grow their savings for retirement would help them.

In fact, many were worried about not having enough money to support themselves through retirement. Mdm Goh was among them. "I was also thinking, by the time I reach retirement age, will I have enough money to support myself?" she added.

But all her worries dissipated over time. Over the years, she used her CPF savings to buy a three-room HDB flat in Tampines to raise her family and pay for medical bills incurred by her eldest son who was sickly and more recently, her cataract surgery. When she retired, she started to receive monthly payouts for her daily living expenses.

With the benefit of hindsight, Mdm Goh said with a smile: "I'm very thankful that the Government set up this scheme for us citizens." It was not easy, however, to start CPF

– a process that was fraught with delays and detractors.

START OF SOCIAL SECURITY

Everything was set for a May 1, 1955 launch. It was going to be an auspicious start for the CPF, a new national retirement savings scheme that would be set up on a day to honour workers – Labour Day. But the well-laid plans went awry.

Three days before the CPF Board was due to open, then-Minister for Labour and Welfare Mr Lim Yew Hock announced its postponement. It followed criticisms from some legislators that the scheme was causing widespread discontent among workers, whose wages were barely sufficient to buy basic necessities. They could not afford to contribute 5 per cent of their monthly salary to their CPF.

The discontent was spilling onto the streets. Coincidentally, a strike between bus drivers and their employer, the Hock Lee Amalgamated Bus Company, had begun a few days earlier on April 25, 1955.² It would escalate into what is

known today as the Hock Lee bus riots – with 31 people injured, and four killed.

The angry mob of workers at Alexandra Road, where the company's bus depot was located, was not only calling for better worker rights. Other pent-up issues that emerged during the protests included disapproval of many new legislation such as the looming CPF scheme.³

As expected, workers were upset about the monthly CPF contribution that could not be withdrawn as and when they needed the money. Instead, it would serve as a form of enforced savings – growing into a nest egg for retirement.

The scheme caused anxiety among lower-income workers. “Most of us – drivers, shop-assistants, and low-paid clerks – live from hand

► Police officers subduing angry crowds with water hoses during the Hock Lee bus riots. (Source: Ministry of Information and the Arts Collection, courtesy of National Archives of Singapore.)



to mouth, we certainly cannot afford to contribute part of our earnings, however small, to the Central Provident Fund. We should therefore be exempted,” urged a forum writer in *The Straits Times* in April 1955.⁴

As a result, the CPF Bill was amended to exempt workers who earned less than \$200 a month from making contributions. But their employers were still required to contribute their share.

“

It is our desire that the second half of the year should see the commencement of this legislation so important to the worker and we do not wish to see his welfare postponed.”⁵

Mr David Marshall
Former Chief Minister

The amendment was passed on June 29, 1955, when then-Chief Minister Mr David Marshall also announced the new launch date: July 1, 1955.

This two-month postponement, before the CPF’s official launch on July 1, 1955, was in fact short when compared to the four-year wait for the CPF Bill that was first mooted in May 1951.

CPF SCHEME VS PENSION PLAN

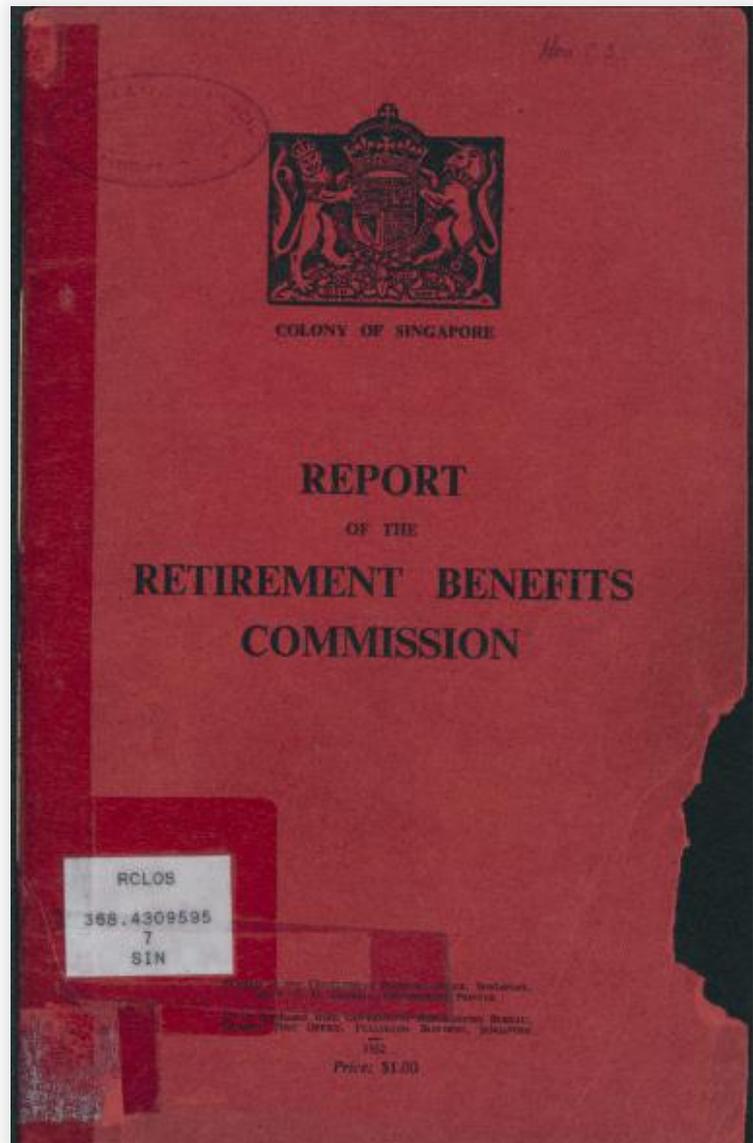
The idea goes back even earlier to the post-war recovery period of March 1949, when the Legislative Council agreed with Mr Lim Yew Hock to set up a committee to study social security schemes for workers – covering medical care, unemployment benefits, and old age pension for citizens in this British colony.⁶

But it took another two years before the CPF Bill was introduced by lawyer and legislator Mr Tan Chye Cheng, better known as C. C. Tan. On May 22, 1951, the Chairman of the Singapore Progressive Party sought to establish a compulsory

central provident fund that would provide retirement benefits for all employees except for those whose employers had already covered them, reported *The Straits Times*.⁷

A counter proposal by the Retirement Benefit Commission was published on February 27, 1952. It suggested having a compulsory pension plan instead, with an employer contribution of 60 cents weekly per worker.⁸ The employee's contribution would start at 20 cents, and increase annually by 20 cents until it equalled the employer's contribution. Upon retirement, the employee would receive \$25 a month in the first year, gradually increasing to \$30.

► Front cover of the Retirement Benefits Commission Report, a proposed alternative to the CPF. (Source: Courtesy of National Library Singapore)



CIRCULATION I

1) Chairman	4) EDPM
2) DGM (A & C)	5) Head (Admin)
3) Secretary	6) HEO (Personnel)

Publications: From Singapore Standard
Date 30th Sept. 1954

Provident Scheme To Come Into Force Next Year

Standard Staff Reporter

MORE than 250,000 employees of Government Departments and commercial firms in Singapore, are expected to join the Central Provident Fund when it commences sometime in the middle of next year.

"Once in operation," declared the chairman of the Board, Mr. R. C. Kendall, "the rate of interest on contributions will be 2½ per cent per annum after the first year."

Interests can rise to five per cent. If the percentage is over that figure, then the Board will only agree to it, after both the employer and employee reach an understanding.

"For salaries that are more than \$500 the maximum contribution will be \$25," Mr. Kendall said.

He stated that the Rules of the Board will be enforced by law, and any employer refusing to obey them will be guilty of a criminal offence.

Asked the position regarding private firms who have insurance schemes for their employees, Mr. Kendall replied: "Firms with their own provident funds can apply to the Board to have their own employees exempted from contributing to the CPF."

Exemption

"The Board will examine these applications and if the applicants' own schemes are equal or better than the Fund, then the Board may approve their exemption," he said.

To date 12 private companies have asked for exemption.

In the case of Government departments, he declared, "the Ordinance will apply to those employees whom the Government will include in the scheme."

Steps to be taken by firms for the implementation of the Fund are: 1. The employer will be required to report to the Board giving the names and addresses of its employees.

2. The particulars of each employee will be collected and registered.

"Employees will be able to withdraw their contributions together with the corresponding contributions from the employer, when they reach 55 years of age," he stated.

No Loans

No loans will be allowed, and the only time the employee can withdraw his contributions before the specified age, is if he becomes physically disabled, if he leaves Malaya for good, or if he has been unemployed for not less than two years, and in the Board's opinion, is not likely to be employed again.

"He will then be able to withdraw his full contribution plus the interests accrued," Mr. Kendall declared.

One of the qualifications required before an employee can start contributing to the Fund is that he must work in his firm for three months. "Contributions will begin on the fourth," he said.

◀ Newspaper clippings published on the commencement of the CPF in 1955. (Source: CPF Board)

The Commission believed that this plan would benefit employees by providing a regular monthly income which would continue from retirement till death, reported *The Straits Times*.⁸ On the other hand, the central provident fund scheme could begin with the employee's contribution of 2 per cent of his earnings, rising to 5 per cent. With a total regular contribution (employee and employer) of 10 per cent of earnings and an interest rate of 3 per cent, a worker after 30 years would be entitled to 476 per cent of their annual earnings, assuming they remained constant.

It was clear that both schemes had pros and cons, with the pension plan benefitting workers within a few years while the provident fund scheme was estimated to provide adequate amounts for retirement until 15 to 20 years later. After rounds of endless debates, a decision was finally made – favouring the long-term solution that was the provident fund scheme.

On December 11, 1953, the CPF Ordinance was passed.⁹

By September 1955, two months after its July launch, the CPF Board had received over \$1.5 million in contributions, with 160,000 employees and 12,900 employers registered.¹⁰

GROWING WITH THE NATION

In no time, operations in the CPF Board were in full swing. As more members registered, manpower had to catch up. Soon, it grew too big for its premises at Victoria Memorial Hall. In 1958, the Board moved into its second home at 79 Anson Road.

Singapore's political scene was also in the midst of remarkable reform. In 1959, led by Chief Minister and former Labour Minister Mr Lim Yew Hock, Singapore was granted full internal self-government. But the fortunes of Mr Lim and his Labour Front government quickly changed that same year when elections were held to usher in the new Legislative Assembly.

The then-opposition People's Action Party (PAP), led by Mr Lee Kuan Yew, won by a landslide, clinching 43 of the 51 seats.

On December 11, 1953, the CPF Ordinance was passed.

Mr Lee would go on to become the first Prime Minister of Singapore. With a fresh slate of leadership, new plans were in store for the young nation, from improving the standard of living to boosting economic growth.

Yet, this new PAP government, which had little to do with the initial implementation of CPF, could see the value of the system. They not only retained it but continued to refine it over the years – expanding its functions beyond saving for retirement into a financial planning system for members.

Fast forward to 2025, 70 years after it was launched, the CPF looks very different and has gained international recognition.

Former CEO Mr Willie Tan (2002–2005) recalled the praises from his foreign counterparts who are responsible for social security in their countries.

“Almost without exception, they were amazed at the comprehensive

nature of the CPF system,” he shared, adding that he had visited many other countries whose systems were on the verge of breaking down.

It is a different situation in Singapore. “In our case, you save as you work and then hopefully, you grow your savings over time. And by the time you retire, you have a sum of money,” he said.

In an interview for this book, Minister for Manpower, Dr Tan See Leng, observed that the CPF system had evolved significantly since its inception in 1955.

“Back then, life expectancy was much lower, and the system’s main focus was just saving for retirement. But as Singapore transformed, so did CPF. Today, it not only supports retirement but also helps with housing and healthcare needs, giving Singaporeans more confidence in their financial future,” he said.

“

Now with longer life expectancies, the challenge is ensuring retirement savings last a lifetime. We also recognise that people’s retirement needs are becoming more diverse.

With a more educated and financially savvy population, CPF’s role is to provide the right information, at the right time, empowering individuals to make informed decisions for their future.”

Dr Tan See Leng
Minister for Manpower

► Source: Ministry
of Manpower

